



STATE OF ARIZONA

JANICE K. BREWER
GOVERNOR

April 28, 2011

EXECUTIVE OFFICE

The Honorable Ken Bennett
Secretary of State
1700 West Washington, 7th Floor
Phoenix, Arizona 85007

RE: House Bill 2707 (general fund revenue limit)

Dear Secretary Bennett:

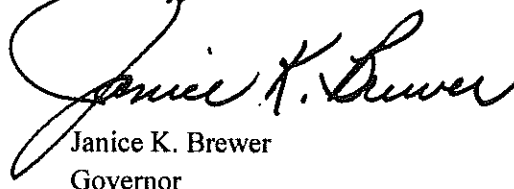
Today I vetoed House Bill 2707 relating to spending limits.

Over the last three years, the Legislature and I have made a series of painful decisions to balance the state budget. Arizona could have largely avoided these steps if an effective spending limit had been in place over the last decade. Understanding this, my budget proposal called for, and I have worked with the Legislature to develop, a spending limit that would protect the State from the effects of future one-time or bubble revenues.

An effective spending limit would eliminate the State's ability to spend one-time or bubble revenues while allowing future Legislatures and Governors to manage normal revenue growth. Spending limits that are too generous, like our current Constitutional limit, ultimately become irrelevant and do not protect the State. Likewise, unreasonable spending limits will be suspended or repealed and become equally irrelevant. Unfortunately, House Bill 2707 uses a mechanism that is too restrictive. We should learn from the State of Colorado that experimented with a similar mechanism, an experiment that failed.

I continue to believe in and support an effective spending limit. I look forward to working with the sponsor and other members to put such a mechanism in place.

Sincerely,



Janice K. Brewer
Governor

cc: The Honorable Russell Pearce
The Honorable Andy Tobin
The Honorable Debbie Lesko
Senate Secretary
Chief Clerk of the House of Representatives
Arizona News Service

State of Arizona
House of Representatives
Fiftieth Legislature
First Regular Session
2011

HOUSE BILL 2707

AN ACT

AMENDING TITLE 35, CHAPTER 1, ARIZONA REVISED STATUTES, BY ADDING ARTICLE 2.2; RELATING TO STATE REVENUE AND EXPENDITURE LIMITS.

(TEXT OF BILL BEGINS ON NEXT PAGE)

1 Be it enacted by the Legislature of the State of Arizona:

2 Section 1. Title 35, chapter 1, Arizona Revised Statutes, is amended
3 by adding article 2.2, to read:

4 ARTICLE 2.2. STATE REVENUE AND EXPENDITURE LIMITS

5 35-132. Definition of state general fund revenues

6 IN THIS ARTICLE, UNLESS THE CONTEXT OTHERWISE REQUIRES, "STATE GENERAL
7 FUND REVENUES":

8 1. INCLUDES ALL MONIES, REVENUES, FEES, FINES, PENALTIES, FUNDS,
9 PROPERTY AND RECEIPTS DEPOSITED IN THE STATE GENERAL FUND, AFTER
10 DISTRIBUTIONS TO THE URBAN REVENUE SHARING FUND ESTABLISHED BY SECTION
11 43-206, EXCEPT AS PROVIDED IN THIS SECTION.

12 2. DOES NOT INCLUDE:

13 (a) ANY AMOUNTS OR PROPERTY RECEIVED FROM THE ISSUANCE OR INCURRENCE
14 OF BONDS OR OTHER LAWFUL LONG-TERM OBLIGATIONS ISSUED OR INCURRED FOR A
15 SPECIFIC PURPOSE. FOR THE PURPOSES OF THIS SUBSECTION, LONG-TERM OBLIGATIONS
16 DO NOT INCLUDE WARRANTS ISSUED IN THE ORDINARY COURSE OF OPERATION OR
17 REGISTERED FOR PAYMENT BY THIS STATE.

18 (b) ANY AMOUNTS OR PROPERTY RECEIVED BY THIS STATE IN THE CAPACITY OF
19 TRUSTEE, CUSTODIAN OR AGENT.

20 (c) ANY AMOUNTS RECEIVED AS GRANTS, AID, CONTRIBUTIONS OR GIFTS,
21 EXCEPT VOLUNTARY CONTRIBUTIONS OR OTHER CONTRIBUTIONS RECEIVED DIRECTLY OR
22 INDIRECTLY IN LIEU OF TAXES.

23 (d) ANY AMOUNTS RECEIVED AS THE PROCEEDS FROM THE SALE, LEASE OR
24 REDEMPTION OF PROPERTY OR AS CONSIDERATION FOR SERVICES OR THE USE OF
25 PROPERTY.

26 (e) ANY AMOUNTS RECEIVED PURSUANT TO A TRANSFER DURING A FISCAL YEAR
27 FROM A DEDICATED FUND TO THE STATE GENERAL FUND THAT WERE INCLUDED AS GENERAL
28 FUND REVENUES FOR THAT FISCAL YEAR OR THAT ARE EXCLUDED FROM STATE GENERAL
29 FUND REVENUES UNDER OTHER PROVISIONS OF THIS PARAGRAPH.

30 (f) ANY AMOUNTS RECEIVED DURING A FISCAL YEAR AS REFUNDS,
31 REIMBURSEMENTS OR OTHER RECOVERIES OF AMOUNTS APPROPRIATED THAT WERE APPLIED
32 AGAINST THE LIMITATION UNDER THIS ARTICLE FOR THAT FISCAL YEAR OR THAT WERE
33 EXCLUDED FROM STATE GENERAL FUND REVENUES UNDER OTHER PROVISIONS OF THIS
34 PARAGRAPH.

35 35-132.01. Estimate of revenue limit

36 A. BEFORE FEBRUARY 1 OF EACH YEAR, THE JOINT LEGISLATIVE BUDGET
37 COMMITTEE SHALL DETERMINE AND PUBLISH:

38 1. THE ACTUAL AMOUNT OF STATE GENERAL FUND REVENUES IN THE PRECEDING
39 FISCAL YEAR.

40 2. PRELIMINARY ESTIMATES OF THE MAXIMUM AMOUNT OF BUDGETED GENERAL
41 FUND REVENUES ALLOWABLE UNDER THIS ARTICLE FOR THE IMMEDIATELY FOLLOWING
42 FISCAL YEAR.

43 B. BEFORE APRIL 1 OF EACH YEAR, THE JOINT LEGISLATIVE BUDGET COMMITTEE
44 SHALL DETERMINE AND PUBLISH FINAL ESTIMATES OF THE MAXIMUM AMOUNT OF BUDGETED
45 GENERAL FUND REVENUES ALLOWABLE UNDER THIS ARTICLE FOR THE IMMEDIATELY
46 FOLLOWING FISCAL YEAR. THE FINAL ESTIMATES SHALL BE USED IN COMPUTING THE

1 GENERAL FUND REVENUE LIMITATION UNDER THIS ARTICLE FOR THE FOLLOWING FISCAL
2 YEAR.

3 35-132.02. Maximum annual general fund revenues

4 A. FOR FISCAL YEAR 2012-2013 AND FOR EACH FISCAL YEAR THEREAFTER, THE
5 MAXIMUM AMOUNT OF BUDGETED GENERAL FUND REVENUES FOR THE FISCAL YEAR SHALL
6 NOT EXCEED THE MAXIMUM AMOUNT OF BUDGETED GENERAL FUND REVENUES UNDER THIS
7 ARTICLE FOR THE SECOND PRECEDING FISCAL YEAR, OR THE ACTUAL AMOUNT OF STATE
8 GENERAL FUND REVENUES IN THE SECOND PRECEDING FISCAL YEAR, WHICHEVER IS LESS,
9 ADJUSTED AS DETERMINED BY THE JOINT LEGISLATIVE BUDGET COMMITTEE PURSUANT TO
10 THIS SECTION.

11 B. FOR EACH FISCAL YEAR THE JOINT LEGISLATIVE BUDGET COMMITTEE SHALL
12 ADJUST THE MAXIMUM AMOUNT OF BUDGETED GENERAL FUND REVENUES ACCORDING TO THE
13 SUM OF THE POSITIVE OR NEGATIVE PERCENTAGE CHANGES FOR THE MOST RECENT TWO
14 YEARS IN:

15 1. THE POPULATION OF THIS STATE USING ONLY THE MOST RECENT DATA FROM
16 THE UNITED STATES DECENNIAL CENSUS OR THE REVISIONS OF POPULATION DATA BY THE
17 DEPARTMENT OF ADMINISTRATION OR ITS SUCCESSOR.

18 2. INFLATION ACCORDING TO THE CHANGE IN THE METROPOLITAN PHOENIX
19 CONSUMER PRICE INDEX PUBLISHED BY THE UNITED STATES BUREAU OF LABOR
20 STATISTICS.

21 35-132.03. Maximum annual general fund appropriations;
22 disposition of excess general fund revenues

23 A. FOR FISCAL YEAR 2012-2013 AND FOR EACH FISCAL YEAR THEREAFTER, THE
24 LEGISLATURE SHALL NOT APPROPRIATE GENERAL FUND REVENUES IN AN AMOUNT
25 EXCEEDING THE MAXIMUM BUDGETED GENERAL FUND REVENUES AS DETERMINED PURSUANT
26 TO SECTION 35-132.02, EXCEPT AS PROVIDED BY THIS SECTION.

27 B. IF GENERAL FUND REVENUES IN ANY FISCAL YEAR EXCEED THE MAXIMUM
28 AMOUNT OF BUDGETED GENERAL FUND REVENUES AS DETERMINED PURSUANT TO SECTION
29 35-132.02, THE LEGISLATURE SHALL PROVIDE FOR THE DISPOSITION OF THE EXCESS
30 AMOUNT IN THE FOLLOWING ORDER OF PRIORITY:

31 1. IN THE CASE OF A CATASTROPHIC NATURAL DISASTER, PAYMENTS OF THE
32 EMERGENCY COSTS INCURRED BY THIS STATE. MONIES APPROPRIATED PURSUANT TO THIS
33 PARAGRAPH:

34 (a) MAY BE USED ONLY TO PAY CURRENT EXTRAORDINARY NONRECURRING
35 EXPENSES THAT COULD NOT HAVE BEEN REASONABLY FORESEEN OR PREVENTED AND THAT
36 ARE REQUIRED IMMEDIATELY TO PRESERVE THE HEALTH, SAFETY AND GENERAL WELFARE
37 OF THE PUBLIC.

38 (b) MAY NOT BE USED TO PAY THE ORDINARY COSTS OF ADMINISTERING,
39 MAINTAINING OR OPERATING STATE GOVERNMENT OR TO MEET REVENUE OR BUDGET
40 SHORTFALLS OF STATE GOVERNMENT.

41 2. PAYMENTS OF:

42 (a) CERTIFICATES OF PARTICIPATION AND OTHER INSTRUMENTS OF
43 INDEBTEDNESS PURSUANT TO LEASE-PURCHASE AND THE SALE AND LEASEBACK AGREEMENTS
44 RELATING TO STATE CAPITAL ASSETS, AND REVENUE BONDS WHOSE PROCEEDS WERE USED
45 TO PAY THE ORDINARY COSTS OF ADMINISTERING AND OPERATING STATE GOVERNMENT.

1 (b) ANY OBLIGATIONS FOR THE RESTORATION OF GENERAL FUND PAYMENTS
2 DEFERRED FROM ONE FISCAL YEAR TO ANOTHER.

3 (c) PRINCIPAL, INTEREST AND ISSUANCE, REDEMPTION AND ADMINISTRATIVE
4 COSTS, PAID WITH STATE GENERAL FUND MONIES, OF OBLIGATIONS OF THIS STATE OR
5 OF ANY DEPARTMENT, OFFICE, AGENCY, COMMISSION, BOARD OR OTHER INSTRUMENTALITY
6 OF STATE GOVERNMENT, INCLUDING INSTRUMENTS COMMONLY KNOWN AS CERTIFICATES OF
7 PARTICIPATION, GENERAL OBLIGATION BONDS, REVENUE BONDS AND LONG-TERM NOTES
8 AND OBLIGATIONS NOT INCLUDED IN SUBDIVISION (a) OF THIS PARAGRAPH.

9 3. PAYMENTS TO THE BUDGET STABILIZATION FUND ESTABLISHED BY SECTION
10 35-144.

11 4. PAYMENTS AS A REFUND TO PERSONS WHO FILED INDIVIDUAL INCOME TAX
12 RETURNS IN THE FISCAL YEAR. THE REFUNDS MUST BE PAID WITHIN FOUR MONTHS
13 AFTER THE END OF THE FISCAL YEAR. THE LEGISLATURE MAY LIMIT REFUNDS UNDER
14 THIS PARAGRAPH TO AMOUNTS OF TEN DOLLARS OR MORE.

15 C. IN ORDER TO PERMIT THE ASSUMPTION AND DEVOLUTION OF GOVERNMENTAL
16 FUNCTIONS AND RESPONSIBILITIES AMONG THE VARIOUS LEVELS OF GOVERNMENT, AND
17 CONSISTENT WITH THE PURPOSES OF THIS SECTION, THE LEGISLATURE SHALL PROVIDE
18 FOR ADJUSTING THE LIMITATION ON STATE APPROPRIATIONS UNDER SUBSECTION A OF
19 THIS SECTION CONSISTENT WITH THE FOLLOWING PRINCIPLES:

20 1. IF THE RESPONSIBILITY FOR FUNDING ALL OR PART OF THE COST OF A
21 GOVERNMENTAL FUNCTION OR PROGRAM IS TRANSFERRED FROM THIS STATE TO THE
22 FEDERAL GOVERNMENT, A TRIBAL GOVERNMENT OR A LOCAL LEVEL OF GOVERNMENT, THE
23 LIMITATION ON STATE APPROPRIATIONS UNDER THIS SECTION SHALL BE COMMENSURATELY
24 REDUCED.

25 2. IF THE RESPONSIBILITY FOR FUNDING ALL OR PART OF THE COST OF A
26 GOVERNMENTAL FUNCTION OR PROGRAM IS TRANSFERRED TO THIS STATE FROM THE
27 FEDERAL GOVERNMENT, A TRIBAL GOVERNMENT OR A LOCAL LEVEL OF GOVERNMENT, THE
28 LIMITATION ON STATE APPROPRIATIONS UNDER THIS SECTION SHALL BE COMMENSURATELY
29 INCREASED.

30 3. ANY ADJUSTMENT PURSUANT TO THIS SUBSECTION SHALL BE MADE FOR THE
31 FIRST FISCAL YEAR OF THE TRANSFER AND SHALL REMAIN IN EFFECT UNTIL A
32 SUBSEQUENT ADJUSTMENT.

33 4. EACH ACT PROVIDING FOR THE DEVOLUTION FROM OR ASSUMPTION BY THIS
34 STATE OF THE RESPONSIBILITY FOR FUNDING ALL OR PART OF THE COST OF A
35 GOVERNMENTAL FUNCTION OR PROGRAM SHALL INCLUDE A SEPARATE PROVISION
36 DESCRIBING THE REQUIREMENTS OF THIS SUBSECTION AND PROVIDING FOR THE INCREASE
37 OR DECREASE IN THE LIMITATION ON STATE APPROPRIATIONS UNDER THIS SECTION.

38 D. IF THE LEGISLATURE PROVIDES FOR THE TRANSFER OR DIVERSION OF
39 REVENUES, WHICH WOULD OTHERWISE HAVE BEEN CREDITED TO THE STATE GENERAL FUND,
40 TO ANOTHER STATE FUND, THE LIMITATION ON STATE APPROPRIATIONS UNDER THIS
41 SECTION SHALL BE COMMENSURATELY REDUCED. AN ADJUSTMENT PURSUANT TO THIS
42 SUBSECTION SHALL BE MADE IN THE FIRST FISCAL YEAR OF THE TRANSFER OR
43 DIVERSION AND SHALL REMAIN IN EFFECT AS LONG AS THE TRANSFER OR DIVERSION
44 CONTINUES.

45 Sec. 2. Short title

46 This act may be referred to as the "Fiscal Accountability Act".

Passed the House March 9, 20 11


Passed the Senate April 19, 20 11

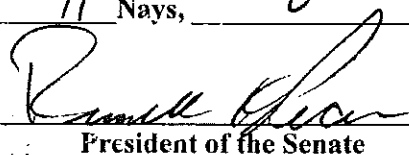
by the following vote: 36 Ayes,

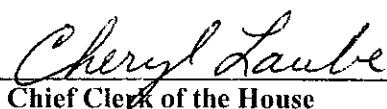
by the following vote: 19 Ayes,

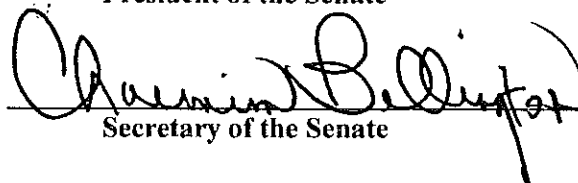
23 Nays, 1 Not Voting

11 Nays, 0 Not Voting


Speaker of the House


President of the Senate


Cheryl Laube
Chief Clerk of the House


Secretary of the Senate

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill received by the Governor this

 day of , 20

at o'clock M.

Secretary to the Governor

Approved this day of

at o'clock M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill received by the Secretary of State

this day of , 20

at o'clock M.

Secretary of State

H.B. 2707

HOUSE CONCURS IN SENATE
AMENDMENTS AND FINAL PASSAGE

April 19, 2011,

by the following vote: 38 Ayes,

22 Nays, 0 Not Voting

[Signature]
Speaker of the House

Cheryl Laube
Chief Clerk of the House

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF GOVERNOR

This Bill was received by the Governor this

20 day of April, 2011,

at 8:30 o'clock A. M.

[Signature]
Secretary to the Governor

Approved this _____ day of

VETO, 20____,
at _____ o'clock _____ M.

Governor of Arizona

EXECUTIVE DEPARTMENT OF ARIZONA
OFFICE OF SECRETARY OF STATE

This Bill was received by the Secretary of State

this _____ day of _____, 20____,

at _____ o'clock _____ M.

Secretary of State

H.B. 2707